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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation

LOK SABHA

The following Bills were introduced in Lok Sabha on the 19th December, 1972:—

BILL No. 125 OF 1972

A Bill to provide for certain amendments to the Mulki Rules so as to limit their operation, for the validation of certain appointments and for the repeal, in a phased manner, of the said rules and for matters connected therewith.

BE it enacted by Parliament in the Twenty-third Year of the Republic of India as follows:—

1. This Act may be called the Mulki Rules Act, 1972. Short title.

2. In this Act, unless the context otherwise requires,— Definitions.

(*a*) "appointed day" means the 1st day of November, 1956;

(*b*) "appointment" includes a permanent, quasi-permanent or temporary appointment, but does not include an appointment of a casual nature;

(*c*) "Capital area" means the area comprising of the cities of Hyderabad and Secunderabad within the meaning of the Hyderabad Municipal Corporations Act, 1955; Hyderabad Act II of 1956.

(*d*) "First Schedule post" means a post specified in the First Schedule, but does not include—

(*i*) any Second Schedule post;

(*ii*) any post of police officer as defined in clause (b) of section 3 of the Hyderabad City Police Act, 1348 F.; Hyderabad Act IX of 1348 F.

(*e*) "Hyderabad Civil Service Regulations" means the regulations known as such in English and known in Urdu as the *Zabita Mulazimat Civil Sarkare Ali* (being regulations in Urdu promulgated in obedience to the Firman dated 25th Ramzan 1337 H of the then Ruler of Hyderabad and published in the *Jarida e Alamia* dated the 7th of Azur 1329 F.) as in force immediately before the appointed day;

(*f*) "Mulki Rules" means such of the provisions of the Hyderabad Civil Service Regulations as have continued to be in force on and from the 26th January, 1950, by virtue of clause (*b*) of article 35 of the Constitution;

(*g*) "non-gazetted post" means a post under the Government of the State of Andhra Pradesh which is not a Gazetted post;

(*h*) "pay" means basic pay plus special pay, if any, sanctioned to a post but does not include various allowances;

(*i*) "Schedule post" means a First Schedule post or a Second Schedule post;

(*j*) "Second Schedule post" means a post specified in the Second Schedule;

(*k*) "State Government" means the Government of the State of Andhra Pradesh;

(*l*) "Superior Service" and "Inferior Service" shall have the same meanings as in the Hyderabad Civil Service Regulations;

(*m*) "Telangana area" means the area comprised in the territories specified in sub-section (*1*) of section 3 of the States Reorganisation Act, 1956; 37 of 1956

(*n*) "Telangana vacancy", in relation to a Second Schedule post, means the second vacancy in every unit of three vacancies in posts of the same class, being vacancies which are to be filled by direct recruitment.

Limitation, during a specified period, of application of Mulki Rules to appointments to certain posts and validation of other appointments.

3. (*1*) During, and in relation to, the period commencing on the appointed day and ending immediately before the commencement of this Act, the Mulki Rules shall be deemed to have applied only to the appointments specified in sub-section (*2*) as if the said Rules had been amended for the duration of that period so as to limit their application to those appointments.

(*2*) The appointments referred to in sub-section (*1*) are the following, namely:—

(*a*) appointment to any non-gazetted post (whether included in the cadre of a Service or not and whether service therein in Superior Service or Inferior Service) within the Telangana area, not being appointment to any post in any of the Secretariat Departments or the offices of the Heads of Departments of the State Government situated in the Capital area

(*b*) appointment to the post of Tehsildar, by whatever name designated, within the Telangana area under the State Government;

(*c*) appointment to any post (whether included in the cadre of a Service or not) under a local authority (other than a cantonment board) in the Telangana area, which carries a scale of pay the mini-

mum of which does not exceed three hundred rupees per mensem or a fixed pay not exceeding that amount;

(*d*) appointment for the filling of the second vacancy (hereafter in this section and in section 4 referred to as reserved vacancy) in every unit of three vacancies which are to be filled by direct recruitment in non-gazetted posts in the Secretariat Departments and the offices of the Heads of Departments of the State Government situated in the Capital area.

(*3*) Notwithstanding any judgment, decree or order of any court, tribunal or other authority, no appointment of any person made during the period referred to in sub-section (*1*) to a post other than a post referred to in clause (*a*) or clause (*b*) or clause (*c*) of sub-section (2) or to a vacancy other than a reserved vacancy in a post referred to in clause (*d*) of that sub-section and no action taken or thing done by or before such person shall be deemed to be illegal or void or ever to have become illegal or void merely on the ground that such appointment was not made in accordance with the Mulki Rules.

Validation of certain specified appointments.

4. Notwithstanding anything contained in sub-section (*1*) of section 3, during, and in relation to, the period commencing on the appointed day and ending immediately before the commencement of this Act, the Mulki Rules shall, in their application to appointments to any post referred to in clause (*a*) or clause (*b*) or clause (*c*) or to appointments for filling reserved vacancies in posts referred to in clause (*d*) of sub-section (2) of section 3, be deemed to have been only directory in nature as if the said Rules had been amended for the duration of the said period so as to be only directory in nature, and notwithstanding any judgment, decree or order of any court, tribunal or other authority, no appointment of any person made during that period to any such post or reserved vacancy and no action taken or thing done by or before such person shall be deemed to be illegal or void or ever to have become illegal or void merely on the ground that such appointment was not made in accordance with the Mulki Rules.

Repeal of Mulki Rules except as to appointments to certain posts.

5. The Mulki Rules, except in so far as those Rules relate—

(*a*) to appointment to any First Schedule post; and

(*b*) to appointment to any Second Schedule post for the purpose of filling of a Telangana vacancy,

are hereby repealed, but such repeal shall not affect the validity of any appointment previously made in pursuance of those Rules.

Repeal of Mulki Rules in respect of appointments to Schedule posts in the Capital area.

6. The Mulki Rules shall, in so far as they relate to appointments to Schedule posts in the Capital area, cease to have effect on the expiration of the 31st day of December, 1977, and accordingly, those Rules shall, in so far as they relate to such appointments, stand repealed on the expiration of that day, but such repeal shall not affect the validity of any appointment previously made in pursuance of those Rules.

Repeal of Mulki Rules in respect of appointments to Schedule posts in the remaining areas of Telangana.

7. The Mulki Rules shall, in so far as they relate to appointments to Schedule posts in the Telangana area other than the Capital area, cease to have effect on the expiration of the 31st day of December, 1980, and shall stand repealed on the expiration of that day, but such repeal shall not affect the validity of any appointment previously made in pursuance of those Rules.

THE FIRST SCHEDULE

[*See* section 2 (*d*)]

(*a*) Any non-gazetted post (whether included in the cadre of a Service or not and whether service therein is Superior Service or Inferior Service) within the Telangana area, under the State Government.

(*b*) The post of Tehsildar, the post of Civil Assistant Surgeon and the post of Junior Engineer, in each case by whatever name designated, within the Telangana area, under the State Government.

(*c*) Any post (whether included in the cadre of a Service or not) under a local authority (other than a cantonment board) in the Telangana area, which carries a scale of pay the minimum of which does not exceed three hundred rupees per mensem or a fixed pay not exceeding that amount.

THE SECOND SCHEDULE

[*See* section 2 (*j*)]

Non-gazetted posts in the Telangana area, being posts in—

(*i*) the Secretariat Departments;

(*ii*) Offices of the Heads of Departments;

(*iii*) common offices; and

(*iv*) common institutions

of the State Government.

Explanation 1.—"Common institution" means an institution which is not solely for Telangana area or any part thereof.

Explanation 2.—"Common office" means an office which is not solely for Telangana area or any part thereof.

STATEMENT OF OBJECTS AND REASONS

In the former princely State of Hyderabad, under certain rules referred to as the Mulki Rules and forming part of the Hyderabad Civil Service Regulations, no person could be appointed to any Government service without specific sanction of the Nizam if he was not a Mulki. One of the grounds for acquiring Mulki status under these rules was permanent residence in the State for at least fifteen years. The Mulki Rules were in force at the commencement of the Constitution and thereafter the provisions of those rules as to residential requirement for appointment to Government service continued to be in force by virtue of article 35(*b*) of the Constitution. At the time of formation of the State of Andhra Pradesh in 1956, the leaders of Andhra and Telangana regions agreed that the benefits of securing employment in subordinate service for the people of Telangana on the basis of local residential qualification would be continued for that region in the new State. Parliament accordingly passed the Public Employment (Requirement as to Residence) Act, 1957. Section 2 of this Act was intended to repeal *inter alia* the Mulki Rules, while section 3 of this Act was intended to enable the Central Government to make rules *inter alia* prescribing requirement as to residence within Telangana area in regard to appointments to subordinate services and posts in Telangana area under the State Government or any local or other authority (not being a Cantonment Board). Necessary rules were framed under the Act for the purpose.

2. The Supreme Court, in their judgment dated March 28, 1969, in *A. V. S. Narasimha Rao and others* Vs. *the State of Andhra Pradesh and another* (Writ petition No. 65 of 1969), held section 3 of the Public Employment (Requirement as to Residence) Act, 1957, in so far as it relates to Telangana area, to be unconstitutional, but refrained from making any observations regarding the validity of the other provisions of the Act, including section 2 relating to repeal of Mulki Rules. In the recent case of *Director of Industries and Commerce, Government of Andhra Pradesh, Hyderabad and another* Vs. *V. Venkata Reddy and others* (Civil Appeal No. 993 of 1972), the Supreme Court held that section 2 of the Act relating to repeal of Mulki Rules is not severable from section 3 which was declared by them to be *ultra vires* earlier and that, therefore, both the sections are void in so far as they relate to Telangana area and that the Mulki Rules have all along been in force in the State by virtue of article 35(*b*).

3. On the 27th November, 1972, the Prime Minister announced in both the Houses of Parliament the measures decided upon for dealing with the problems involved and indicated that necessary legislation for implementing the same would be brought before the Houses. Hence, the present Bill.

4. The following are the salient features of the Bill:—

(*a*) So far as the future is concerned the operation of the Mulki Rules is being confined to non-gazetted posts (included corresponding posts under local authorities but excluding posts of Police Officers in the Hyderabad City Police), and posts of Tehsildar, Civil Assistant Surgeon and Junior Engineer in the Telangana region. In the case of composite offices, such as the Secretariat, offices of Heads of Departments and common institutions of the State Government in the Telangana area the rules are being further confined so as to apply only for the purpose of filling the second vacancy in every unit of three direct recruitment vacancies in non-gazetted posts (*vide* clause 5).

(*b*) The Bill provides for the repeal of the Mulki Rules in a phased manner so that the rules stand totally repealed as regards posts in the cities of Hyderabad and Secunderabad by the end of December, 1977 (*vide* clause 6) and as regards posts in other areas of Telangana by the end of December, 1980 (*vide* clause 7).

(*c*) The Bill also makes necessary provisions in regard to validation of certain appointments made in the past (*vide* clauses 3 and 4).

NEW DELHI; RAM NIWAS MIRDHA.

The 16th December, 1972.

BILL No. 123 OF 1972

A Bill to provide for the acquisition and transfer of the undertaking of the Richardson and Cruddas Limited, for the reconstruction of the register of its members and for matters connected therewith or incidental thereto.

WHEREAS the Richardson and Cruddas Limited, a company formed and registered under the Indian Companies Act, 1913, is engaged in the production of goods needed by the defence establishments, railways, steel plants and power projects;

7 of 1913.

AND WHEREAS the mismanagement of the said company by its erstwhile managing agents and Board of Directors had seriously affected the production and supply of goods by the said company;

AND WHEREAS it is not possible for the said company to provide for its proper management by a duly constituted Board of Directors in view of the existence of a large number of duplicate shares in the capital of the said company;

AND WHEREAS for ensuring, in the interests of the community, the continuity of production and supply of goods by the said company, it is expedient in the public interest to acquire the undertaking of the said company;

BE it enacted by Parliament in the Twenty-third Year of the Republic of India as follows:—

PART I

ACQUISITION AND TRANSFER OF THE UNDERTAKING OF RICHARDSON AND CRUDDAS LIMITED

CHAPTER I.—PRELIMINARY

1. This Act may be called the Richardson and Cruddas Limited (Acquisition and Transfer of Undertaking) Act, 1972. Short title.

Definitions.

2. (1) In this Act, unless the context otherwise requires.—

(a) "appointed day" means such date as the Central Government may, by notification, appoint;

(b) "Custodian" means the person who is appointed, under section 10, as the Custodian of the old company;

(c) "Nationalised Bank" means a corresponding new bank as defined in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970; 5 of 1970.

(d) "new company" means the Government company, formed and registered under the Companies Act, 1956, in pursuance of the provisions of section 9; 1 of 1956.

(e) "notification" means a notification published in the Official Gazette;

(f) "old company" means the Richardson and Cruddas Limited, a company formed and registered under the Indian Companies Act, 1913 and having its registered office in the State of West Bengal; 7 of 1913.

(g) "prescribed" means prescribed by rules made under this Act;

(h) "scheduled bank" has the meaning assigned to it in the Reserve Bank of India Act, 1934, and includes a Nationalised Bank; 2 of 1934.

(i) "share" means a share in the capital of the old company;

(j) "Tribunal" means the Tribunal constituted under section 13.

(2) Words and expressions used herein and not defined but defined in the Companies Act, 1956, have, save as otherwise expressly provided in this Act, the meanings respectively assigned to them in that Act. 1 of 1956.

CHAPTER II.—ACQUISITION OF THE UNDERTAKING OF THE RICHARDSON AND CRUDDAS LIMITED

Undertaking of the old company to vest in the Central Government.

3. On the appointed day, the undertaking of the old company shall stand transferred to, and vest in, the Central Government, and that Government shall, immediately thereafter, provide, by notification, for the transfer to, and vesting in, of such undertaking in the new company.

General effect of vesting.

4. (1) The undertaking of the old company shall be deemed to include all assets, rights, powers, authorities and privileges and all property, movable and immovable, cash balances, reserve funds, investments and all other rights and interests in, or arising out of, such property as were immediately before the appointed day in the ownership, possession, power or control of the old company in relation to the undertaking, whether within or without India, and all books of account, registers (other than register of members and documents relating thereto), records and all other documents of whatever nature relating thereto and shall also be deemed to include all borrowings, liabilities and obligations of whatever kind then subsisting of the old company in relation to the undertaking.

(2) Unless otherwise expressly provided by this Act, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed day which relate to the undertaking of the old company, shall be of as full force and effect in favour of the Central Government, and on the transfer of such undertaking to the new company, of such new company and may be enforced or acted upon as fully and effectively as if they had related to the Central Government or the new company, as the case may be.

(3) (*a*) If, on the appointed day, a proceeding instituted by the old company in relation to the undertaking referred to in section 3 is pending, such proceeding may, as from that day, be continued by the Central Government or, on the transfer of the undertaking to the new company, by the new company.

(*b*) If, on the appointed day, any cause of action is existing against the old company in relation to the undertaking referred to in section 3, such cause of action may, as from that day, be enforced against the Central Government or, on the transfer of the undertaking to the new company, against the new company.

(c) Save as otherwise provided in clauses (*a*) and (*b*), no suit, proceeding or cause of action by or against the old company shall be continued or enforced by or against the Central Government or the new company.

Duty to deliver possession of property acquired and documents relating thereto.

5. (*1*) Where any property has vested in the Central Government under section 3, every person in whose possession or custody or under whose control the property may be, shall deliver the property to the Central Government forthwith.

(2) Any person who, on the appointed day, has in his possession or under his control any books, documents or other papers relating to the undertaking which has vested in the Central Government under this Act and which belong to the old company, or, would have so belonged if the undertaking of the old company had not vested in the Central Government, shall be liable to account for the said books, documents or other papers to the Central Government and, on the transfer of such undertaking to the new company, to that company, and shall deliver them up to the Central Government or the new company, as the case may be, or to such other person as the Central Government or the new company may specify in this behalf.

(3) The Central Government may take, or cause to be taken, all necessary steps for securing possession of all properties which have vested in that Government under section 3.

Duty to furnish particulars.

6. (*1*) The old company shall, within such period as the Central Government may allow in this behalf, furnish to that Government, and the new company, a complete inventory of all the properties and assets (including particulars of investments) of the old company on the appointed day, all liabilities and obligations of the old company subsisting on that day and also all agreements entered into by the old company and in force on that day including agreements, whether express or implied, relating to leave, pension, gratuity and other terms of service of

any officer or other employee of the old company under which, by virtue of this Act, the Central Government has, or will have, or may have, the liabilities and, for this purpose, the Central Government and the new company shall afford the old company all reasonable facilities.

(2) The old company shall, if required by the Central Government or new company so to do, furnish such returns or information relating to the undertaking referred to in section 3, or, any person employed by the old company for the purpose of such undertaking, as may be specified in such requisition.

Transfer of employees of the old company.

7. (1) Every officer or other employee of the old company (except a director or any managerial personnel specified in section 197A of the Companies Act, 1956, or any other person entitled to manage the whole or a substantial part of the business of the old company under a special agreement with that company) in the employment of the old company immediately before the appointed day shall, in so far as such officer or other employee is employed in connection with the affairs of the undertaking of the old company, become, as from the appointed day, an officer or other employee, as the case may be, of the Central Government and, on the transfer of such undertaking to the new company, of that company, and shall hold his office on the same terms and conditions and with the same rights to pension, gratuity and other matters as would have been admissible to him if the undertaking of the old company had not been transferred to and vested in the Central Government or the new company, and continue to do so unless and until his employment in the Central Government or the new company is duly terminated or until the remuneration, terms or conditions of service are duly altered by the Central Government or the new company, as the case may be: 1 of 1956.

Provided that if the alteration so made is not acceptable to any officer or other employee, his employment shall be terminated on payment to him by the Central Government or the new company, as the case may be, of an amount equivalent to three months' remuneration in the case of permanent employees and one month's remuneration in the case of other employees:

Provided further that nothing contained in this sub-section shall apply to any officer or other employee who has, by notice in writing given to the Central Government or the new company, within thirty days next following the appointed day, intimated his intention of not becoming an officer or other employee of the Central Government or the new company, as the case may be.

(2) For the persons, who, immediately before the appointed day, were the trustees for any pension, provident fund, gratuity or other like fund constituted for the officers or other employees of the old company, there shall be substituted as trustees such persons as the Central Government or the new company may, by general or special order, specify.

(3) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any officer or other employee from the old company to the Central Government or the new company shall not entitle such officer or other employee to any compensation under that Act or other law, and no such claim shall be entertained by any court tribunal or other authority. 14 of 1947.

Payment of amount.

8. (*1*) For the transfer, under section 3, of the undertaking of the old company to the Central Government, there shall be paid by the Central Government to the Custodian an amount of rupees thirty lakhs.

(*2*) The Custodian shall open an account in the name of the old company in any scheduled bank and credit the said amount to the said account and hold the said amount in trust for and on behalf of the old company.

CHAPTER III.—MANAGEMENT AND ADMINISTRATION OF THE NEW COMPANY

Formation and registration of a new company.

9. For the efficient management and administration of the undertaking which will vest in the Central Government under section 3, there shall be formed and registered, before the appointed day, a Government company, with the name "Richardson and Cruddas (1972) Limited", in accordance with the provisions of the Companies Act, 1956.

1 of 1956.

CHAPTER IV.—MANAGEMENT OF THE OLD COMPANY

Management of the old company.

10. (*1*) The affairs of the old company shall be managed by a Custodian to be appointed by the Central Government in this behalf:

Provided that the Central Government may, if the Custodian declines to become, or to continue to function as, the Custodian or if it is of opinion that it is necessary in the interests of the old company so to do, appoint any other person as the Custodian of the old company.

(*2*) The Custodian appointed under sub-section (*1*) shall receive, from the funds of the old company, such emoluments as the Central Government may specify in this behalf.

(*3*) The Custodian shall hold office during the pleasure of the Central Government.

Custodian to be public servant.

11. The Custodian shall be a public servant within the meaning of section 21 of the Indian Penal Code.

45 of 1860.

Vacation of office by directors, etc., of the old company.

12. (*1*) On the appointment of a Custodian, every person holding office, immediately before such appointment, as director or manager of the old company shall, notwithstanding anything contained in any other law for the time being in force or in any decree or order of any court or tribunal, vacate such office.

(*2*) The Custodian shall receive the sum referred to in section 8 and shall deal with the said sum for meeting any liability which is incurred by the old company after the appointed day, and the balance, if any, left after meeting the said liability, in accordance with the wishes of the members of the old company, expressed in a general meeting convened by the Custodian, and the provisions of the Companies Act, 1956, shall, so far as may be, apply to such meeting.

1 of 1956.

(3) The Custodian may, if the members of the old company so desire, distribute the balance referred to in sub-section (2) amongst such members in accordance with their rights and interests and thereafter apply to the Court for the winding up of the old company by the Court.

PART II

RECTIFICATION OF THE REGISTER OF MEMBERS OF THE OLD COMPANY

CHAPTER I.—CONSTITUTION OF A TRIBUNAL

Constitution of a Tribunal.

13. (1) For the purpose of rectification of the register of members of the old company, the Central Government shall, by notification, constitute a Tribunal consisting of one person who is or has been a Judge of a High Court.

(2) If, for any reason, a vacancy (other than a temporary absence) occurs in the office of the presiding officer of the Tribunal, the Central Government shall appoint another person, in accordance with the provisions of this section, to fill the vacancy and the proceedings may be continued before the Tribunal from the stage at which the vacancy is filled.

(3) The Central Government shall make available to the Tribunal such staff as may be necessary for the discharge of its functions under this Act.

(4) All expenses incurred in connection with the Tribunal shall be defrayed out of the Consolidated Fund of India.

(5) The Tribunal shall have power to regulate its own procedure in all matters arising out of the discharge of its functions including the place or places at which it shall hold its sittings:

Provided that the Tribunal shall, as far as practicable, follow the procedure laid down in the Code of Civil Procedure, 1908, for the investigation of claims and the decision of the Tribunal shall be final. 5 of 1908.

(6) The Tribunal shall, for the purpose of making an inquiry under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:— 5 of 1908.

(a) the summoning and enforcing the attendance of any witness and examining him on oath,

(b) the discovery and production of any document or other material producible as evidence,

(c) the reception of evidence on affidavits,

(d) the requisitioning of any public record from any court or office,

(*e*) issue of any commission for the examination of witnesses.

(7) Any proceeding before the Tribunal shall be deemed to be a judicial proceeding within the meaning of section 193 of the Indian Penal Code, and the Tribunal shall be deemed to be a civil court for the purpose of section 195 and Chapter XXXV of the Code of Criminal Procedure, 1898.

45 of 1860.

5 of 1898.

CHAPTER II.—POWERS AND DUTIES OF THE TRIBUNAL

14. (1) The Tribunal shall, by notification and in such other manner as may be prescribed, call upon every person, who claims to have any interest in any share, to prefer his claim within thirty days from such date as may be specified in the notification. Tribunal to call upon persons to make claims.

(2) Every person claiming an interest in any share shall make his claim before the Tribunal in such form as may be prescribed, stating therein the rights claimed by him in the share and the manner in which, and the date on which, such right was acquired by him.

(3) The Tribunal may, if it is satisfied that any claimant had sufficient cause for not preferring the claim within thirty days from the date specified in the notification, admit such claim within a further period of thirty days.

15. The Tribunal shall, after taking such evidence as may be adduced before it and after making such inquiry as it may think fit and after hearing such persons as may desire to be heard, determine which of the documents purporting to be shares represent, in reality, a contribution to the capital of the old company, and on such determination, all other documents purporting to be shares shall stand declared to be spurious and shall stand cancelled. Determination of genuine shares.

16. (1) No holder of a document purporting to be a share shall be entitled to claim either from the Central Government or from the old or new company any damages for the cancellation of such document by virtue of the provisions of section 15. No compensation for cancellation of spurious shares.

(2) Subject to the provisions of sub-section (1), every person who had acquired a document, purporting to be a share, *bona fide* for value without notice of the fact that it did not represent any contribution to the capital of the old company, shall be entitled to claim reimbursement from the person from whom such document was acquired by him, and, the period of limitation for any action for such reimbursement shall be deemed to commence on the date on which the document held by him as a share stands cancelled under section 15.

Power of Tribunal to entertain and dispose of claims for reimbursement.

17. (*1*) The Tribunal shall have jurisdiction to entertain and dispose of any claim for reimbursement referred to in sub-section (*2*) of section 16.

(*2*) Every such claim shall be made before the Tribunal within thirty days from the date on which the document purporting to be a share stands cancelled under section 15.

Suits and legal proceedings, not to be commenced or proceeded with.

18. (*1*) On and from the date on which the Tribunal is constituted, no suit or other legal proceeding shall be commenced, or if pending at the date of such constitution, shall be proceeded with, against the old company except with the leave of the Tribunal and subject to such terms as the Tribunal may impose.

(*2*) Save as otherwise provided in this Act, the Tribunal shall have, and no court or other tribunal shall have, jurisdiction to entertain or dispose of—

(*a*) any suit or proceeding by, or on behalf of, or against, the old company;

(*b*) any claim made by, or on behalf of, or against, the old company;

(*c*) any question of priorities and any other question whatsoever, whether of law or of fact, which may relate to, or arise in relation to, the genuineness or otherwise of, any share or in relation to any rights or obligations under such share,

whether such suit or proceeding has been instituted, or is instituted, or such claim or question has arisen or arises before or after the constitution of the Tribunal.

(*3*) If, on the appointed day, any suit, appeal or other proceeding of whatever nature by or against the old company in relation to any business of that company is pending in any court, such suit, appeal or other proceeding shall, notwithstanding anything contained in any other law for the time being in force or in any contract, stand transferred to, and shall be disposed of by, the Tribunal and thereupon no other court or tribunal shall have jurisdiction to try such suit, appeal or proceeding.

Explanation.—A suit or other proceeding relating to the title to, or claim in or in relation to, any share or any document purporting to be a share shall be deemed to be a suit or other proceeding relating to the business of the old company.

(*4*) Nothing in sub-section (*1*) or sub-section (*3*) shall apply to any petition or appeal arising out of any petition made under article 32, article 226 or article 227 of the Constitution.

Decision of the Tribunal to be final.

19. Every decision, under this Act, of the Tribunal shall be final and shall not be called in question in any court except by way of a petition under article 32 or article 226 of the Constitution.

CHAPTER III.—DUTY OF CUSTODIAN TO RECONSTRUCT REGISTER OF MEMBERS OF THE OLD COMPANY

Custodian to reconstruct register of members of the old company.

20. (*1*) The Custodian shall reconstruct the register of members of the old company and shall include therein the names of the holders of the shares which have been declared by the Tribunal as representing, in reality, a contribution to the capital of the old company and strike off from the register of members of the old company the names of the holders of the documents purporting to be shares which stand, by reason of the determination made by the Tribunal under section 15, cancelled.

(*2*) On and from the date of reconstruction of the register of members of the old company,—

(*a*) the register, as so reconstructed, shall be deemed to be the register of members of the old company, and

(*b*) all registers of members maintained by the old company, immediately before the said date, shall stand cancelled.

Custodian to issue fresh share certificates.

21. (*1*) The Custodian shall issue, in such form as may be prescribed, fresh share certificates in relation to the shares which have been declared by the Tribunal as representing, in reality, a contribution to the capital of the old company.

(*2*) All share certificates issued by the old company before the date of the determination made by the Tribunal shall, on and from such determination, stand cancelled.

No annual general meeting of the old company to be held before the reconstruction of the register of members.

22. (*1*) Notwithstanding anything contained in the Companies Act, 1956, or any other law for the time being in force, no annual or other general meeting of the old company shall be held until the reconstruction of the register of members of the old company has been completed in accordance with the provisions of this Act.

1 of 1956.

(*2*) No resolution purported to have been passed at any meeting of the members of the old company shall, until the reconstruction of its register of members, have effect.

Custodian to file accounts until reconstruction of the register of members of the old company.

23. (*1*) Until the register of members of the old company is finally reconstructed, the Custodian shall file every year with the Registrar, the annual accounts of the old company.

1 of 1956.

(*2*) The provisions of the Companies Act, 1956, shall, as far as may be, apply to the annual accounts referred to in sub-section (*1*).

PART III

OFFENCES AND THEIR TRIAL

Penalties.

24. (*1*) Any person who,—

(*a*) having in his possession, custody or control any property forming part of the undertaking which has vested in the Central

Government under section 3, wrongfully withholds such property from the Central Government or new company, or

(*b*) wrongfully obtains possession of any property forming part of such undertaking, or

(*c*) being required by sub-section (*2*) of section 5 so to do, wilfully withholds or fails to furnish to the Central Government, new company or any other person specified by that Government or the new company, any document which may be in his possession, custody or control, or

(*d*) wilfully fails to furnish an inventory as required by section 6, or furnishes an inventory containing any particulars which are incorrect or false in material particulars and which he either knows or believes to be false or does not believe to be true, or

(*e*) being required by the Central Government or the new company in writing so to do, fails to furnish any return, statement or other information relating to the undertaking of the old company which has vested in the Central Government under section 3, or

(*f*) makes a false or frivolous claim before the Tribunal with regard to the ownership of, or any right in, any share, or

(*g*) fails to comply with any order or direction made under this Act,

shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to ten thousand rupees, or with both:

Provided that the court trying any offence under clause (*a*), clause (*b*) or clause (*c*) of this sub-section may, at the time of convicting the accused person, order him to deliver up or refund, within a period to be fixed by the court, any property or money wrongfully withheld or wrongfully obtained or any document wilfully withheld or not furnished.

(*2*) No court shall take cognizance of an offence punishable under this section except with the previous sanction of the Central Government or an officer authorised by that Government in this behalf.

Offences by companies.

25. (*1*) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(*2*) Notwithstanding anything contained in sub-section (*1*), where any offence under this Act has been committed by a company and it is proved that the offence was committed with the consent or connivance of, or is attributable to, any neglect on the part of, any director, manager,

secretary or other officer of the company, such director, manager, secretary or other officer shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(*a*) "company" means any body corporate and includes a firm or other association of individuals; and

(*b*) "director" in relation to a firm, means a partner in the firm.

Offences to be triable by a Magistrate of the first class and not to be compoundable.

26. Notwithstanding anything contained in the Code of Criminal Procedure, 1898, 5 of 1898.

(*a*) every offence against this Act shall be triable by a Magistrate of the first class, and

(*b*) no offence against this Act shall be compoundable.

PART IV

MISCELLANEOUS

Protection of action taken in good faith.

27. (*1*) No suit, prosecution or other legal proceeding shall lie against the Custodian in respect of anything which is in good faith done or intended to be done under this Act.

(2) No suit or other legal proceeding shall lie against the Central Government or the Custodian or the new company for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under this Act.

Contracts, etc., in bad faith may be cancelled or varied.

28. (*1*) If the Central Government is satisfied, after such inquiry as it thinks fit, that any contract or agreement entered into at any time within twelve months immediately preceding the appointed day, between the old company and any other person has been entered into in bad faith and is detrimental to the interests of the old company or of the new company, it may make an order cancelling or varying (either unconditionally or subject to such conditions as it may think fit to impose) the contract or agreement and thereafter the contract or agreement shall have effect accordingly:

Provided that no contract or agreement shall be cancelled or varied except after giving to the parties to the contract or agreement a reasonable opportunity of being heard.

(2) Any person aggrieved by an order made under sub-section (*1*) may make an application to the Tribunal for the variation or reversal of such order and thereupon the Tribunal may confirm, modify or reverse such order.

Power to terminate contract of employment.

29. If the Custodian is of opinion that any contract of employment entered into by or on behalf of the old company at any time before the appointed day is unduly onerous, he may, by giving to the employee one month's notice in writing or the salary or wages for one month in lieu thereof, terminate such contract of employment.

Power to remove difficulty.

30. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, not inconsistent with the provisions of this Act, remove the difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the commencement of this Act.

Power to make rules.

31. (*1*) The Central Government may, by notification, make rules to carry out the provisions of this Act.

(*2*) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the form and manner in which every claim shall be preferred before the Tribunal;

(*b*) the form in which fresh shares shall be issued by the Custodian;

(*c*) any other matter which is required to be, or may be, prescribed.

(*3*) Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

STATEMENT OF OBJECTS AND REASONS

Messrs. Richardson and Cruddas Limited is an old engineering company engaged in the production of goods needed by the defence establishments, railways, steel plants and power projects and has three workshops at Bombay, Madras and Nagpur. The registered office of that company being at Calcutta, an application was made in December, 1957 to the Calcutta High Court by the Life Insurance Corporation of India alleging mismanagement. On that application, the Calcutta High Court appointed a Special Officer to manage the affairs of this company and to investigate into the alleged irregularities and mismanagement. The Special Officer's enquiry revealed large scale issue of duplicate and spurious shares and other mismanagement including misappropriation of the company's funds. With the approval of the Court, the Special Officer prepared a provisional share register disallowing the claims of some shareholders. Consequently, the holders of the shares whose claims were rejected filed suits against the company for registration of their names as shareholders and, in the alternative, for damages. The matters relating to the share disputes are pending before the Calcutta High Court.

2. The company had suffered considerable losses due to mismanagement. For about 15 years, the company has been managed under the orders of the Court. The company has been subjected to voluminous litigation arising out of the issue of duplicate shares and claims of over Rs. 1 crore towards damages are pending. If the damages were awarded against the company, it would have no means of carrying on its business. The company has been doing valuable work for various Government Projects. For utilising the expertise and the experience built up over several years and for ensuring continued employment of over 2000 workers, it is necessary that proper arrangements are made for the management and development of the company.

3. Government have, from time to time, extended guarantees to the State Bank of India for extending cash credit facilities to the company amounting to Rs. 217 lakhs and have also given direct loans to it amounting to Rs. 160 lakhs for meeting its working capital and other needs. It is difficult for the Government to continue these guarantees and advances indefinitely without making arrangements for its long-term management which would ensure adequate Government control over its operations. This aspect has also been emphasised by the Public Accounts Committe from time to time.

4. The position of a large number of shareholders who were holding genuine shares has remained uncertain for a number of years. A decision on the conflicting claims for membership through the normal processes is likely to take a long time. In the absence of a decision on these claims, it is not possible for the company to provide for its proper management, by a duly constituted Board of Directors. The business of the company has been carried on with the help of Government guarantees but these cannot be continued indefinitely. It is, therefore, considered necessary to enact a special legislation to solve the legal and other special problems relating to this company.

5. In view of the above, it is felt that for ensuring the continuity of production and supply of goods it is expedient in the public interest to acquire the undertaking of Messrs. Richardson and Cruddas Limited together with its liabilities, by legislation on payment of an amount of Rs. 30 lakhs and to form a new Government company to be called Richardson and Cruddas (1972) Limited, to which the undertaking of the first mentioned company shall become vested after such acquisition. The proposed legislation also provides for the constitution of a Tribunal for adjudicating the claims of various persons to the shares of the company, and for the appointment of a Custodian to receive the amount, reconstruct the share register under order of the Tribunal and distribute the amount in accordance with the orders of the Tribunal.

NEW DELHI; C. SUBRAMANIAM.

The 12th December, 1972.

FINANCIAL MEMORANDUM

The Richardson and Cruddas Limited (Acquisition and Transfer of Undertaking) Bill, 1972 provides for the acquisition and transfer of the undertaking of Richardson and Cruddas Limited, for the reconstruction of the register of its members and for matters connected therewith or incidental thereto.

2. Clause 8 of the Bill provides for the payment of an amount of Rs. 30 lakhs by the Central Government for the acquisition of the undertaking of Richardson and Cruddas Limited. The Bill, if enacted, would thus involve a non-recurring expenditure of Rs. 30 lakhs on this head.

3. Under clause 13 of the Bill, a Tribunal will be constituted for the reconstruction of the Share Register and the disposal of pending suits. The Bill, if enacted, will involve expenditure on account of salaries, allowances and other expenses of the Tribunal. The expenditure is likely to be of order of Rs. 15,000 per month. Since the Tribunal is likely to complete its work in about 20 months, the total expenditure on this account will be about Rs. 3 lakhs. The Bill, if enacted, would thus involve a recurring expenditure of Rs. 15,000 per month until the work of the Tribunal is over.

4. For enabling the new Government undertaking to be formed, if the Bill is enacted, to meet the obligations in para 2 above and other requirements such as working capital, modernisation of the unit, etc., an investment of Rs 1.50 crores is proposed to be made in the share capital of the Government company.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 31 of the Bill empowers the Central Government to make rules to carry out the provisions of the Bill. The matters in respect of which rules may be made relate to the form and manner in which every claim shall be preferred before the Tribunal, the form in which fresh shares shall be issued by the Custodian. All these matters are matters of detail and can hardly be provided in the Bill itself.

The delegation of legislative power is, therefore, of a normal character.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF THE CONSTITUTION OF INDIA

[Copy of letter No. 8(3)/72-P.S. Cell/HM(I), dated the 14th December, 1972 from Shri C. Subramaniam, Minister of Industrial Development and Science and Technology, to the Secretary, Lok Sabha.]

The President having been informed of the subject matter of the Richardson and Cruddas Limited (Acquisition and Transfer of Undertaking) Bill, 1972 recommends under articles 117(1) and 117(3) of the Constitution of India, the introduction of the Bill and consideration thereof in the Lok Sabha.

BILL No. 124 OF 1972

A Bill to alter the name of the State of Mysore

BE it enacted by Parliament in the Twenty-third Year of the Republic of India as follows:—

Short title and commencement.

1. (*1*) This Act may be called the Mysore State (Alteration of Name) Act, 1972.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Definitions.

2. In this Act, unless the context otherwise requires,—

(*a*) "appointed day" means the date appointed under sub-section (*2*) of section 1 for the coming into force of this Act;

(*b*) "appropriate Government" means, as respects a law relating to a matter enumerated in List I in the Seventh Schedule to the Constitution, the Central Government, and as respects any other law, the State Government;

(c) "law" includes any enactment, Ordinance, regulation, order, bye-law, rule, scheme, notification or other instrument having the force of law in the whole or any part of the State of Mysore.

Alteration of name of State of Mysore.

3. As from the appointed day, the State of Mysore shall be known as the State of Karnataka.

Amendment of article 168 of the Constitution.

4. In sub-clause (*a*) of clause (1) of article 168 of the Constitution, for the word "Mysore", the word "Karnataka" shall be substituted.

Amendment of First and Fourth Schedules to the Constitution.

5. (*1*) In the First Schedule to the Constitution, under the heading "I. THE STATES", for the figure and word "9. Mysore", the figure and word "9. Karnataka" shall be substituted.

(*2*) In the Fourth Schedule to the Constitution, for the figures and word "10. Mysore", the figures and word "10. Karnataka" shall be substituted.

Power to adapt laws.

6. (*1*) For the purpose of giving effect to the alteration of the name of the State of Mysore by section 3, the appropriate Government may, before the expiration of one year from the appointed day, by order, make such adaptations and modifications of any law made before the appointed day, whether by way of repeal or amendment as may be necessary or expedient, and thereupon every such law shall have effect subject to the adaptations and modifications so made.

(*2*) Nothing in sub-section (*1*) shall be deemed to prevent a competent Legislature or other competent authority from repealing or amending any law adapted or modified by the appropriate Government under the said sub-section.

Power to construe laws.

7. Notwithstanding that no provision or insufficient provision has been made under section 6 for the adaptation of a law made before the appointed day, any court, tribunal or authority required or empowered to enforce such law may construe the law in such manner, without affecting the substance, as may be necessary or proper in regard to the matter before the court, tribunal or authority.

Legal proceedings.

8. Where immediately before the appointed day any legal proceedings are pending to which the State of Mysore is a party, the State of Karnataka shall be deemed to be substituted for the State of Mysore in those proceedings.

STATEMENT OF OBJECTS AND REASONS

The Government of Mysore forwarded to the Central Government in August, 1972, the resolution passed unanimously by the Legislative Assembly and the Legislative Council of Mysore on the 27th July, 1972 and 5th August, 1972, respectively, recommending that the name of the State of Mysore be changed into "Karnataka" and requested the Central Government to bring forward the necessary legislation in Parliament to give effect to the resolution. The Bill provides for such alteration of the name of the State of Mysore and contains the necessary amendments to the provisions of the Constitution and also consequential provisions.

2. As required by the proviso to article 3 of the Constitution, the President referred the Bill to the Legislature of the State of Mysore for expressing its views thereon and that Legislature has approved the enactment of the Bill by Parliament.

K. C. PANT.

NEW DELHI;
The 11th December, 1972.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 3 OF THE CONSTITUTION OF INDIA

[Copy of letter No. 3/1/72-SR, dated the 13th December, 1972 from Shri K. C. Pant, Minister of State in the Ministry of Home Affairs, to the Secretary, Lok Sabha.]

The President having been informed of the subject matter of the Bill to alter the name of the State of Mysore, recommends the introduction of the Bill in the Lok Sabha under proviso to article 3 of the Constitution.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 6 of the Bill empowers the appropriate Government to adapt and modify existing laws for the purpose of giving effect to the alteration of the name of the State of Mysore by clause 3. This power will be available only for a period of one year from the appointed day. The adaptations and modifications cannot affect the substance of the laws adapted.

2. The delegation of legislative power is of a normal character.

S. L. SHAKDHER,
Secretary.

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